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SIPDIS
RUEHLP/AMEMBASSY L PAZ 3242
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RUEHRG/AMCONSUL RECIFE 3404
RUEHRI/AMCONSUL RIO DE JANEIR 7844
RUEHAC/AMEMBASSY ASUNCION 2943
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UNCLAS SECTION 01 OF 05 SAO PAULO 000161

SIPDIS

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DEPT FOR WHA/BSC, INL, AND EB/RA
STATE PASS TO USTR FOR SCRININ
STATE PASS EIMBANK
STATE PASS OPIC FOR MORONESE, RIVERA, MERENNE
NSC FOR FEARS
USDOC FOR 4332/ITA/MAC/OLAC
USDOC FOR 3134/USFCS/OIO
USDOC ALSO PASS PTO/OLA
TREASURY FOR OASIA, DAS LEE AND JHOEK
AID/W OR LAC/AA
DHS FOR PLCY/OIA KEVIN O'REILLY

E.O 12958: N/A
TAGS: [EWWT](#) [EINV](#) [ETRD](#) [ECON](#) [ELTNSNAR](#) [SENV](#) [OEXP](#) [BR](#)
SUBJECT: CONSUL GENERAL VIIT TO THE PORT CITY OF SANTOS

REF: A) 05 SAO PAUO 1106; B) 05 SAO PAULO 703;

C) 05 SAO PAUL 614

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SUMMARY

1. (U) ConsulGeneral (CG) and Econoff recently visited the port city of Santos, which lies 60 kilometers southwes of Sao Paulo across the Serra do Mar mountain rng. Santos serves the industrial and agricultural trade needs of Sao Paulo and neighboring stats and is the most active port by volume shipped inSouth America. The visit offered an opportunity for the CG to tour the Department of Homeland Security (DHS) offices and obtain from the staff an sassessment of the Container Security Initiative (CS) program, which has been operating since Septemer 2005. He also visited the U.S.-Brazil bi-national center to meet with students and a talented nd committed former Youth Ambassador; met with theMayor of Santos, who is focused on creating opotunities for growth and investment in Santos; an toured the operations of Archer Daniels Midland (ADM), one of the four largest agricultural processrs in Brazil. The day ended with a visit to DowChemical's Corporate Social Responsibility (CSR)Clean Mangrove Project, which has restored some f the sensitive mangrove ecosystems along the banks of the Santo Amaro River. The visit offered a god opportunity to advance our public diplomacy aenda in the key city, as well as to recognize eforts of those involved in the highly successful joint

U.S./Brazilian CSI program. The CG also gave interviews to the local media. End Summary.

TE CITY OF SANTOS

12. (U) Santos, a coastal city in Sao Paulo state founded in 1546, is partially located on the island of Sao Vicente and partially on the mainland. It is an attractive beach resort that hosts many tourists on weekends. As of 2006, Santos had an estimated population of 418,375 people. Santos is also home to the soccer team made famous by the Brazilian sports superstar Pele. It is the largest seaport in Latin America, having traded over 72 million tons of goods in 2006. The city has large industrial complexes and shipping centers which handle a large portion of the world's coffee exports and a number of other Brazilian exports as well, including steel, oil, cars, oranges, bananas, cotton, and grains. According to the Guinness Book of Records, the city features the world's largest beach-front garden at 5.335 kilometers in length.

CSI: MAINTAINING SECURE CARGO

13. (U) The Department of Homeland Security (DHS) Container Security Initiative (CSI) is housed in the historic Customs Building in downtown Santos. The CG visited their offices to first receive an assessment of the project from both the DHS employees and their Brazilian counterparts. On September 22, 2005 (ref A), CSI Santos became the first fully operational CSI port in South America, which enables cargo destined for the U.S. through the port to be pre-screened. The primary mission of CSI is to enhance global container security from the threat posed by terrorism. All involved in the project were happy with the results and described good cooperation between Brazilian port and Customs authorities and U.S. DHS agents. They stated that the presence of CSI serves as a deterrent to fraud, both physically through the presence of the agents scanning the containers, and psychologically because of the mere knowledge of its existence at the port. The efficiency of CSI has improved the export of containers and is both an economical and

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psychological benefit for companies exporting. With 90 percent of Brazilian container cargo exiting out of Santos, it is important to maintain security in the shipments. The main challenge facing the team today is to enhance the communications system that monitors the containers, allowing for a real-time online system (with restricted access) that facilitates inspection of the containers. The general consensus after almost a year and a half is that CSI has been a good addition to port security, and has been a "win - win" situation for both Brazil and the U.S.

14. (U) The CG handed out awards to the 21 Brazilians associated with the CSI project, including the Superintendent of the Federal Revenue Service and the Chief Inspector and Deputy Inspector of Santos Port. It was a good opportunity to recognize the valuable support of the Brazilians and to foster continued support, coordination and collaboration.

MAYOR OF SANTOS: STILL POPULAR AND PRODUCTIVE

15. (U) The CG met with the very popular Mayor of Santos Joao Paulo Tavares Papa (Brazilian Democratic Movement Party - PMDB), who was sworn in as mayor on January 1, 2005 following a close election that he won by a margin of just over half a percentage point. Papa, an engineer who has served in several municipal positions and as Vice Mayor, highlighted his future plans for the growth of the city. He emphasized the importance of the port, which is directly and indirectly responsible for 70 percent of the economic activity of the city. He is currently involved in negotiations on two big projects (with outside partners) to enlarge the port, which would triple the actual capacity that is currently managed by the state-owned Sao Paulo State Docks Company (CODESP). He also outlined plans for the revitalization of the old port, making it a center for tourism, recreational and sports activities, and a boat marina. The

GoB has transferred authority of this area to the city, which plans to renovate old warehouses and fund new construction to create a second passenger terminal for arriving cruise ships. Mayor Papa mentioned that the GoB's recently announced Growth Acceleration Program (PAC), which has a special section on ports, looks to provide incentives and investment opportunities for specific Santos port projects. Finally, he mentioned the desire to operate a passenger train between Sao Paulo and Santos to transport tourists and workers rapidly between the two cities.

16. (U) According to Papa, the economy of the city is based on 1) the port, 2) services, 3) tourism, and 4) universities. Thirty percent of the population is of retirement age, and with five universities, there is also a large student population. As a result, health standards are a major priority for the community. Fortunately, Santos has a good health system and a safe environment. The challenge he sees is to maintain the high quality of life, foster economic growth, and to find physical space for future business investment and port expansion. Santos is limited by surrounding communities and the ocean, with little room for growth; hence the need for creative use of existing space for development. In October 2006, light crude oil was discovered off the coast, which has generated a USD 18 billion Petrobras investment in the region. Last year, a Santos delegation visited Long Beach, and his desire is that Santos form a sister city relationship with a U.S. city. (Note: PAS will work with this Mayor's office to facilitate contacts towards establishing a sister city relationship with an appropriate U.S. city. End Note).

THE BI-NATIONAL CENTER: PROMOTING LANGUAGE AND CULTURE

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17. (U) At the U.S.-Brazil Bi-National Center (CCBEU), CG and Econoff toured the facility, talked with staff about the language and cultural programs offered by the Center, and solicited ideas regarding Consulate assistance for the Center. Approximately 25 English-language students met with the CG. It was an opportunity to ask questions about the U.S., about the U.S. Consulate in Sao Paulo, and requirements for study in the U.S. - F1 and J1 visas. We were joined by Alan Martino, who visited the United States as a Youth Ambassador in 2005. Martino is currently teaching English to the elderly in a city-run program while applying for college in the U.S. under the auspices of the U.S. Achievers Program (USAP). USAP provides college funding for bright, talented but economically disadvantaged youths who want to pursue academic excellence.

18. (U) CCBEU was founded in 1943 and today has a student body of 1,500 students, with capacity for 5,000. The President, Joao Borges, stressed that the purpose of CCBEU is to make a connection with the community by teaching English language and culture, which is a very different perspective from other language schools in the city. Eighty percent of the students at CCBEU are on some type of scholarship; the Center also receives some support in the form of partnerships with U.S. companies in the region. CCBEU has strong ties with the Rotary Club and receives all Rotary exchange students. CCBEU has a strong counseling section and hopes through cultural and educational exchange programs and student involvement in administration tasks, to develop future leaders in the community. Borges pointed to Alan Martino as a good example of community youth, stating that since his return from the U.S., he continues to volunteer as a teacher, participate in community activities, and serve on the CCBEU Board. CCBEU requested assistance from the U.S. Consulate with speakers or cultural events programming in order to attract a larger audience from the community. CCBEU has 54 employees, 25 of whom are teachers, in their large facility housing a 140-seat auditorium, a 21,000 volume library, a computer lab, and a large art gallery housing their permanent collection. At the end of the CCBEU event, the CG gave an interview to the local media, which covered various bilateral issues.

ADM: GOOD NEWS FOR AGRICULTURE

19. (SBU) Archer Daniels Midland (ADM), one of the largest

agricultural processors in the world, has facilities in the Santos port. During the Ambassador's visit in 2005 (ref B), ADM's Director of Port Operations complained of infrastructure-related problems associated with the depth of the port; the slowness on the part of CODESP to complete a planned port-dredging operation; the lack of a sufficient parking area for vehicles; and insufficient train cars to load and unload grains. The news this time around was much better. According to Bert Frost, ADM Director for Ports/Logistics/Fertilizer, the company is enjoying good operations and profits. ADM presently has two supply points to the world: Brazil and the U.S. According to Frost, Brazil is back in the market, is competitive and growing; thus, ADM will continue to invest in this region. A bumper soy crop is projected for this year following the near-drought conditions of the last two years. Frost estimated that ADM moves 10-12 million tons of soybeans per year through the Santos port. ADM exports soybeans, soybean meal, sugar, corn and sorghum, and imports wheat and barley. Of the company's 26,000 employees worldwide, 2,000 are located in Brazil.

¶10. (SBU) ADM is not only one of the largest agricultural processors in Brazil, but is also a large transport company, with barges, rail cars, and trucks to move its product from the farm to the transport facility for export. ADM transports grain from Mato Grosso, Goias, Parana, and Mato Grosso do Sul states, working closely with farmers in these regions and providing loans to farmers

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(with the farm as collateral) as needed. ADM wants to be a responsible company in terms of sustainable development and the environment, and for that reason has chosen not to farm or accept grain from the Amazon. Per Frost, ADM's business runs on logistics, and ADM has a strong transport chain in place to bring its agricultural products quickly from the farmer's fields to the port for shipment. ADM owns two barge companies, rail cars, and has three rail receiving areas and four truck platforms for receiving cargo. Four large sheds can accommodate up to 190,000 metric tons of grain. However, the one negative point is the rising cost of transporting their product from the field to the port. The cost in Brazil of transporting product to port is double the cost in the United States for the same distance due to poor logistics and infrastructure. Frost labeled this the "custo Brasil", or the cost of doing business in Brazil, and stated that this extra cost is borne by the farmer. However, even with this added cost, ADM posted worldwide revenues of USD 35 billion in 2005; of that, 3 billion was generated by ADM South America, of which USD 2 billion came from Brazil.

DOW CHEMICAL'S CLEAN MANGROVE PROJECT:

----- CLOSE COMMUNITY TIES -----

¶11. (U) The final visit of the day took place at Dow Chemical's impressive Corporate Social Responsibility (CSR) project, the Clean Mangrove Program. Since 2002, this program has developed various initiatives to protect the existing mangrove area inside the Dow property in Guarujá, the neighboring city and beach resort immediately across the harbor from Santos. In coordination with the Responsible Care Community Advisory Panel (CAP) - a 28-member panel composed of concerned community members, teachers, NGOs, and the local Minister of Tourism - Dow has mobilized the surrounding communities to work together to increase awareness of the mangrove area along the Santo Amaro River. Dow occupies 360,000 square meters of their 800,000 square-meter property, of which 50 percent is mangroves. The Clean Mangrove Project has encompassed various phases: 1) startup in 2002; 2) partnership with local university UNISANTA in 2003 for scientific research and study of the mangrove area; 3) cleanup and community awareness activities from 2003 - 2006; 4) construction of the mangrove project from 2004 - 2007; and 5) a proposed book on mangroves and partnership between CAP and UNISANTA in 2007. The fourth phase of the mangrove project includes a museum, larviculture stations, a tree-breeding area, an auditorium, and a visitor platform.

¶12. (U) For this year, Dow, the Community Advisory Panel and the Ocean Future Society (Jean-Michel Cousteau's organization) have

created the Ambassadors of the Environment program, which will bring 60 students from fifth to eighth grade to Guaruja for one week of training and working with the Clean Mangrove Program. (Comment: It is impressive that not only the community and Dow are involved, but have received international recognition from a world-renowned organization. CG suggested that the Smithsonian Tropical Research Institute (STRI) in Panama, which has done extensive research on mangroves, might be able to provide research materials and/or speakers to assist with this project. ECON will facilitate contact with STRI to assist with further mangrove research, possible future contacts, and guest speakers. End Comment.)

¶13. (U) Dow Chemical has been in the Guaruja area since 1971, with a total of 368 employees located in two locations. There are six specialized production plants, manufacturing epoxy, polyol & polyglycol, latex, wire & cable, polystyrene and polyethylene. Forty-five percent of Dow Brazil's revenue is invoiced through the Guaruja facility. Total sales for Dow worldwide were USD 50

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billion, with Brazil accounting for USD 5 billion. The Guaruja facility boasts one of the best safety records for Dow worldwide. In a subsequent interview a week later at the Consulate General, Neil Hawkins, VP for Global Advocacy & Public Policy, voiced Dow's commitment to remain here in Brazil, and added that Dow is poised to begin manufacturing products from renewable feed stocks. Dow has the technological expertise to produce commercially viable products using renewable materials. For example, Dow presently processes soy beans to make foam for car seats and mattresses. Per Hawkins, with the climate changes in the next 50 years, Brazil has the potential to be a "heartland of biomaterials," providing the raw renewable materials for Dow's future production needs.

¶14. (U) The one concern Hawkins voiced is the rising taxation (federal, state) on the price consumers pay for electricity (in this case, industrial electricity), which has tripled in the last 5 years. If these tax increases continue, Dow will convert from a cost advantage status to a cost disadvantage status for certain products, which would impact on Dow's competitiveness and create disincentives to future investment. Dow has formed a coalition with other similarly affected associations (steel, aluminum, chemical) to talk with GoB officials (most recently, Chief of Staff Dilma Rouseff) in an attempt to stave off further tax increases. He stated that if their attempts do not provide any relief in the near future, he will contact the Consulate for possible assistance on their behalf. (Note: Mr. Lucelio de Moraes, Government Affairs Director for Dow Brazil was contacted by Econoff on February 16, and stated that he would shortly request the Consulate's assistance in convening a meeting with ABRACE, the Brazilian Association of Energy Consumers, to discuss the issue. End Note.)

SANTOS: OPPORTUNITIES FOR U.S.- BRAZIL COOPERATION

¶15. (U) Comment: The city of Santos is home to the most significant port in South America, one of two CSI locations in South America, and an active bi-national center that teaches 1500 students. It is a thriving community to which tourists flock on weekends, has a large student population with five universities, and is economically stable with retirees making up approximately 30 percent of the population. Pele, the internationally known superstar, put the name Santos on the map when he played for the local soccer team during the 1960s. The Mayor is focused on generating investment in the city and is pushing several major infrastructure projects. The city and its port have attracted large multinational companies such as ADM and Dow Chemicals, which besides generating local jobs are concerned about and active in the community. Dow's Clean Mangrove Program by Dow is a great example of a CSR program that involves and motivates the surrounding community. In addition to striving for growth and investment in the region, the local government is also actively engaged in improving the quality of life of its citizens and residents. Santos is a community the U.S can and should work with more; to this end, the Consulate plans to enhance its public diplomacy and commercial outreach with key partners in Santos. End Comment.

¶16. (U) This cable was coordinated with Embassy Brasilia.

MCMULLEN